



COMMONWEALTH OF MASSACHUSETTS  
**THE GENERAL COURT**  
STATE HOUSE, BOSTON 02133-1053

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July 28, 2010

John Auerbach, Commissioner  
Department of Public Health  
250 Washington Street, 6<sup>th</sup> Floor  
Boston, MA 02108

Dear Commissioner Auerbach,

We are writing regarding the Cerberus Capital Management acquisition of the six Caritas hospitals.

Our main concern about the Cerberus Capital acquisition of Caritas is the potential for diminished health care access and affordability in our districts. Once Cerberus enters the market, it will have tremendous economic power over what occurs in Lawrence. As a private equity firm with no health care experience, we feel it is imperative that they disclose their business plan and show how, beyond the \$110 million in capital improvements outlined in their filings to date, they will use the remaining \$290 million in funds they will be investing in the Caritas system.

We have a very fragile safety net in Lawrence, and it is critical that the health care access our constituents have today is not reduced. The residents of Lawrence rely on the services of Lawrence General Hospital, a disproportionate share hospital, that has served our region for more than 130 years. The Hospital is the largest employer in the City of Lawrence, where the unemployment rate is not only the highest in Massachusetts but among the highest in the nation. The Hospital's emergency department is among the 5 busiest in the state with more than 70,000 visits, and inpatient volume exceeds 12,000 admissions. To meet the needs of the special populations of low income and immigrant populations, Lawrence General and the independent health center have created a family practice residency to ensure access to primary care, using the scarce resources available.

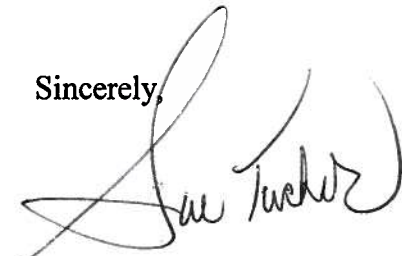
As a disproportionate share hospital, Lawrence General Hospital's commercial insurance revenue, which represents approximately 30% of their payer mix, sustains the hospital. Their other payers, especially Medicaid, do not pay for the actual cost of providing the care, and the Hospital has seen its rates from Medicaid diminish as state revenues declined, and rates were cut. Therefore, the balance between the hospitals private commercial and public payer mix is a very sensitive element to the Hospital's viability and continued success.

In the past year, we have personally been very engaged in trying to persuade one health plan that contracted with the Commonwealth to allow patients to continue to get care at Lawrence General Hospital. The plan, Celticare, has entered into an exclusive arrangement with Caritas in markets like Lawrence where there is another in-market competitor. Celticare did not and will not negotiate a contract for Commonwealth Care with Lawrence General because they have entered into a contract that provides exclusivity in the market to Caritas. It is very possible that Cerberus' capital could be used to underbid the price for their services for entrance into additional larger exclusive limited network health plan contracts with Cerberus/Caritas, and foreclose Lawrence General from the market, as was done with Celticare. If this were allowed, Lawrence General could lose commercial revenue that sustains the Hospital.

We urge you to establish appropriate monitoring of health care access for at least the next three years to ensure that this private equity firm's investment in health care does not prioritize their financial success at the expense of health care access. We cannot afford to lose the critical services Lawrence General Hospital provides nor can we afford to have the largest employer and sole 24-7 provider in the City of Lawrence diminished in any way.

Thank you for your attention to this request of great important to us and the constituents in our districts.

Sincerely,



Sue Tucker



Marcos Devers



Barbara L'Italien



David Torrisi